



August 6, 2010

**Production Alert: California Film & Television Tax Credit Program
EXPENDITURE TAGGING RECOMMENDATIONS**

The California Film Commission (CFC), which administers the California Film & Tax Credit Program, in an effort to alleviate reporting errors in statistical information, is introducing a comprehensive and uniform process for tagging expenditures. The tagging methodology below will enable each production accountant to track qualified wages and expenditures, as well as provide the information required on both the Fiscal Year End Summary Report and the Expenditure Summary Report:

QT = Qualified Taxable Expenditures (Qualified Non-Wage Spend Subject to Sales/Use Tax)

NT = Nonqualified Taxable Expenditures (Nonqualified Non-Wage Spend Subject to Sales/Use Tax)

Sum of QT + NT = Total Expenditures on Taxable Goods and Services

QN = Qualified Nontaxable Expenditures (Qualified Non-Wage Spend NOT Subject to Sales/Use Tax)

Sum of QN + QT = Total Qualified (non-wage) Spend (to be allocated between Production & Post)

QW = Qualified Wages and Fringes (to be allocated between Production & Post)

NQ = Nonqualified Wages and Fringes & Nonqualified Nontaxable Expenditures

LO = Qualified Loan Outs and Fringes (As Loan Out fringes don't qualify (except for Vacation, Holiday, and payroll service fees from a California-based payroll service), Loan Outs may require a different free field from "QW" so that they can have a different "default" of fringe free field coding – check with your payroll service.)

To break out post production amounts, run reports from the accounting system and isolate line items in the post production range of accounts. Once you have only the post production accounts:

1. Sort by free field code **QW** to get **Qualified Wages & Fringes – Post Production Only**.
2. Sort by free field **QN** and total all QNs.
3. Sort by **QT** and total all QTs.
4. Add the total **QT** amount to the total **QN** amount to get **Qualified Non-Wage Spend – Post Production Only**.

We advise all projects to utilize this tagging method or verify that the tagging method being used will enable you to provide the required breakout of figures. Most payroll services will be able to pre-program your software with these naming conventions, as well as enable their clients to tag the qualified fringes or track the qualified fringes for you by isolating them in their fringe tables.

We understand that some projects may have a need to keep track of expenditures for other purposes, and may need to add tags or utilize their own system.

It is important the CFC receive accurate reporting of costs in order to verify your credit allocation, as well as to track vital statistical information on the progress and impact of the tax credit program. We appreciate your participation and welcome any questions or comments you may have.